



FY 2024 Public Witness Hearing Testimony

Jared C. Bass, Esq.
Senior Director, Higher Education
Center for American Progress

Mr. Chairman, Ranking Member DeLauro, and other Members of the subcommittee, it is my pleasure to testify before you today about Student Aid Administration funding for the Department of Education.

Each year, the Department of Education processes millions of federal financial aid applications, providing families with access to billions in federal financial assistance. For fiscal year 2022, the Department processed 17 million applications and provided approximately \$111.6 billion in federal student aid.¹ In addition, the Department manages nearly \$1.6 trillion in outstanding federal student loan debt for more than 43 million Americans.²

These crucial government services provide educational and economic opportunities for students throughout the United States—both Democrat and Republican alike. Through these programs, we train presidents and politicians, CEOs and small business owners, scientists and engineers, school teachers, medical professionals, and much more. Many of us in this room would not be where we are today without these services—myself included.

The Student Aid Administration account is crucial to the operation of these services. And when funding for this account is limited, so too are the services and opportunities that depend on it. For this reason, I ask that the Labor-H subcommittee consider the following:

¹ U.S. Department of Education, Office of Federal Student Aid, “Fiscal Year 2022 Annual Report,” (Washington, D.C.: 2022), available at <https://fsaconferences.ed.gov/conferences/library/2022/annualreport/FY2022FSAAnnualReport.pdf>.

² U.S. Department of Education, Office of Federal Student Aid, “Federal Student Aid Portfolio Summary,” (Washington, D.C.), available at <https://studentaid.gov/sites/default/files/fsawg/datacenter/library/PortfolioSummary.xls> (last accessed March 2023).

1. Provide additional resources to support the operation of the federal financial aid programs;
2. Change how funding is appropriated for the account, including dedicated funding for program integrity activities;
3. Consider using supplemental appropriations or CR anomalies for funding prior to the enactment of the fiscal year 2024 Labor-H bill.

1. Provide additional resources to support the operation of the federal financial aid

For fiscal year 2023, Student Aid Administration received level funding. For fiscal year 2024, the Department of Education is requesting \$2.65 billion, an increase of \$620.1 million over last year. The Department needs these additional resources to meet pressing demands.

After a three-year student loan payment pause, borrowers will be returning to repayment later this year. This will be a major undertaking for the Department, requiring planning and widespread communication with borrowers, student loan servicers, and other stakeholders. In addition, the Department is on the verge of modifying the existing student loan servicing environment in meaningful ways. This new era, known as the Unified Servicing and Data Solution (USDS), has the potential to improve the quality of student loan servicing. Resources are also vital for the implementation of the FUTURE Act and the FAFSA Simplification Act—key pieces of bipartisan legislation that will fundamentally change the operation of the federal financial aid programs and require modernizing legacy systems at the Department.

While Student Aid Administration has been level funded before, the Department was not faced with the same set of circumstances. If this account does not receive adequate funding, the

consequences could be dire. Already, the Department seems likely to miss an October 1 target for the release of the FAFSA this year,³ and it is not clear what other delays might be in store.

2. Change how funding for Student Aid Administration is appropriated

Currently, the Labor-H bill provides a lump sum appropriation for Student Aid Administration with little direction on how funding should be used for various activities. To overcome any remaining political obstacles associated with this account, the Committee could include set-asides for specific functions and operations and then make necessary increases. For example, below the topline, the subcommittee could include funding specifically for IT modernization, student loan servicing improvements, contracts, services, and salaries and expenses. Set-asides are used throughout the Labor-H bill; and while the Committee already provides some guidance to the Department in the funding tables that accompany the Labor-H bill (breaking-out activities by “salaries and expenses” and “servicing activities”) this new change would provide further specificity in the text of the bill and help the Department prioritize how funding within the account should be used.

In addition, the Committee should prioritize funding for activities that will reduce costs—one of the main functions of the office for Federal Student Aid.⁴ For example, dedicated funding for program integrity activities helps weed out fraud, waste, and abuse within government programs. For that reason, Congress provides dedicated funding and a cap adjustment for program integrity activities under “Social Security Administration” (SSA) in the Labor-H bill.

³ Danielle Douglas-Gabriel, “Education Dept. May Miss Oct. 1 Deadline for Redesigned FAFSA Form,” *The Washington Post*, February 7, 2023, available at <https://www.washingtonpost.com/education/2023/02/07/fafsa-redesigned-application-october-deadline/>.

⁴ Legal Information Institute, “20 U.S. Code § 1018 - Performance-Based Organization for delivery of Federal student financial assistance,” available at <https://www.law.cornell.edu/uscode/text/20/1018#:~:text=There%20is%20established%20in%20the%20Department%20a%20Performance-Based,of%20this%20chapter%2C%20as%20specified%20in%20subsection%20%28b%29> (last accessed March 2023).

According to the SSA’s FY24 Congressional Justification, this dedicated funding will produce net savings of \$41 billion over 10 years.⁵ While the Department already uses some Student Aid Administration funding for oversight activities, given the size and scope of the programs it administers, more could be done to reduce costs.

The Labor-H bill also carries a cap adjustment for reemployment services in Title I. These services help unemployment compensation claimants get back on their feet in a timely manner. In its Congressional Justification for this year, the Department of Labor estimates that “the 10-year net savings for the program are \$1.022 billion.”⁶

Similar services could be provided to help struggling student loan borrowers get back on their feet, especially those who qualify for \$0 monthly loan payments. This could come in the form of career or job placement services or through partnership with the Department of Labor. Funding could also be used to provide better oversight of the schools that saddle borrowers with debt without adequate job prospects to repay their loans. These activities could reduce costs for the federal financial aid programs.

With regard to set-asides, it’s possible that the Department may need more funding in one set-aside area over another after the Labor-H bill is enacted. Under this new model, the Department would still retain reprogramming authority to make necessary adjustments. And the reprogramming notice requirement included in the Labor-H bill would ensure full transparency and oversight by the Appropriations Committee. Such notices would also provide the Committee with more clarity as to how funds are being used in real-time.

⁵Social Security Administration, “Limitation on Administrative Expenses,” (Washington, D.C.), available at <https://www.ssa.gov/budget/assets/materials/2024/2024LAE.pdf> (last accessed March 2023).

⁶ U.S. Department of Labor, “State Unemployment Insurance and Employment Service Operations,” (Washington, D.C.), available at <https://www.dol.gov/sites/dolgov/files/general/budget/2023/CBJ-2023-V1-07.pdf> (last accessed March 2023).

Given the contractual complexity of FSA’s work—such as procurements for various services and functions—it may be helpful to consider making advance appropriations for this account as well. This way, the Department will have advance notice of what resources may be available for the upcoming fiscal year. Advance funding may also help to overcome political challenges associated with this account. This is one of the major reasons the Corporation for Public Broadcasting account includes a two-year advance appropriation—although a one-year advance may be more appropriate for this account and is quite common across the Labor-H bill.

3. Consider using supplemental appropriations or CR anomalies

Lastly, the Committee should consider other vehicles for funding Student Aid Administration. Even if additional funding is provided in FY24, those funds may come too late and may not help the Department meet pressing demands. Therefore, the Committee should strongly consider using any supplemental appropriation opportunities that may arise this year to provide necessary funding for Student Aid Administration. The Committee should also consider including an anomaly for Student Aid Administration funding if any continuing resolutions arise later this year as well. Anomalies have been provided for Student Aid Administration before. For example, when mandatory funding for Student Aid Administration was set to expire, the Appropriations Committee ensured that adequate discretionary funding was provided under both short-term and full-year continuing resolutions. This critical funding ensured that the students and their families could still apply for and receive Pell grants, loans, and other forms of assistance.

Conclusion

We are in a defining moment for higher education. And while the challenges confronting the federal student aid programs and their administration may seem intractable, there is no other committee better suited to addressing these challenges than the Labor-H subcommittee. From experience, I know that the Appropriations Committee will ensure that this moment defines the American higher education system for the better, not the worse.

I look forward to working with the Appropriations Committee to ensure that the integrity of the federal financial aid programs is preserved. Thank you.